

EAST WEST BANCORP INC  
Form 10-Q  
November 10, 2008  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

Mark One

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2008

or

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from            to            .

Commission file number 000-24939

**EAST WEST BANCORP, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**95-4703316**  
(I.R.S. Employer  
Identification No.)

135 N. Los Robles Ave, 7<sup>th</sup> Floor, Pasadena, California 91101

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(Address of principal executive offices) (Zip Code)

**(626) 768-6000**

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of "large accelerated filer" and "accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Number of shares outstanding of the issuer's common stock on the latest practicable date: 63,667,222 shares of common stock as of October 31, 2008.

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**Forward-Looking Statements**

Certain matters discussed in this report may constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "1933 Act") and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and as such, may involve risks and uncertainties. These forward-looking statements relate to, among other things, expectations of the environment in which the Company operates and projections of future performance including future earnings, operating results, financial condition, and cash flows. The Company's actual results, performance, or achievements may differ significantly from the results, performance, or achievements expected or implied in such forward-looking statements as a result of the effect of interest rate and currency exchange fluctuations; competition in the financial services market for both loans and deposits; our ability to incorporate acquisitions into our operations; the effect of regulatory and legislative action; and regional and general economic conditions. Such risk and uncertainties and other factors include, but are not limited to, adverse developments or conditions related to or arising from:

- changes in our borrowers' performance on loans;
- changes in the commercial and consumer real estate markets;
- changes in our costs of operation, compliance and expansion;
- changes in the economy, including inflation;
- changes in government interest rate policies;
- changes in laws or the regulatory environment;
- changes in accounting policies or procedures;
- changes in the equity and debt securities markets;
- changes in competitive pressures on financial institutions;

- effect of additional provision for loan losses;
- effect of any goodwill impairment;
- fluctuations in our stock price;
- success and timing of our business strategies;
- changes in our ability to receive dividends from our subsidiaries; and
- political developments, wars, acts of terrorism or natural disasters such as earthquakes or floods.

For a more detailed discussion of some of the factors that might cause such differences, see the Company's 2007 Form 10-K under the heading ITEM 1A. RISK FACTORS. The Company does not undertake, and specifically disclaims any obligation to update any forward-looking statements to reflect the occurrence of events or circumstances after the date of such statements except as required by law.

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## PART I - FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

## EAST WEST BANCORP, INC. AND SUBSIDIARIES

## CONDENSED CONSOLIDATED BALANCE SHEETS

*(In thousands, except share data)**(Unaudited)*

	September 30, 2008	December 31, 2007
<b>ASSETS</b>		
Cash and cash equivalents	\$ 527,474	\$ 160,347
Short-term investments	495	
Securities purchased under resale agreements	50,000	150,000
Investment securities available-for-sale, at fair value (with amortized cost of \$2,172,519 in 2008 and \$1,954,140 in 2007)	2,047,244	1,887,136
Loans receivable, net of allowance for loan losses of \$177,155 at September 30, 2008 and \$88,407 at December 31, 2007	8,111,231	8,750,921
Investment in Federal Home Loan Bank stock, at cost	86,153	84,976
Investment in Federal Reserve Bank stock, at cost	27,589	21,685
Other real estate owned, net	17,607	1,500
Investment in affordable housing partnerships	41,819	44,206
Premises and equipment, net	61,674	64,943
Due from customers on acceptances	8,123	15,941
Premiums on deposits acquired, net	22,314	28,459
Goodwill	337,331	335,366
Cash surrender value of life insurance policies	93,836	88,658
Deferred tax assets	175,591	66,410
Accrued interest receivable and other assets	113,835	151,664
<b>TOTAL</b>	<b>\$ 11,722,316</b>	<b>\$ 11,852,212</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Customer deposit accounts:		
Noninterest-bearing	\$ 1,393,480	\$ 1,431,730
Interest-bearing	6,142,869	5,847,184
Total customer deposits	7,536,349	7,278,914
Federal funds purchased	30,443	222,275
Federal Home Loan Bank advances	1,538,350	1,808,419
Securities sold under repurchase agreements	999,467	1,001,955
Notes payable	12,150	16,242
Long-term debt	235,570	235,570
Bank acceptances outstanding	8,123	15,941
Accrued interest payable, accrued expenses and other liabilities	96,983	101,073
Total liabilities	10,457,435	10,680,389

## COMMITMENTS AND CONTINGENCIES (Note 8)

## STOCKHOLDERS EQUITY

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Preferred stock (par value of \$0.001 per share)		
Authorized 5,000,000 shares		
Issued 200,000 shares in Series A, convertible preferred stock in 2008 and none in 2007		
Outstanding 197,400 shares in 2008 and none in 2007		
Common stock (par value of \$0.001 per share)		
Authorized 200,000,000 shares		
Issued 70,223,189 shares in 2008 and 69,634,811 shares in 2007		
Outstanding 63,623,131 shares in 2008 and 63,137,221 shares in 2007	70	70
Additional paid in capital	858,020	652,297
Retained earnings	581,561	657,183
Treasury stock, at cost 6,600,058 shares in 2008 and 6,497,590 shares in 2007	(102,171)	(98,925)
Accumulated other comprehensive loss, net of tax	(72,599)	(38,802)
Total stockholders' equity	1,264,881	1,171,823
<b>TOTAL</b>	<b>\$ 11,722,316</b>	<b>\$ 11,852,212</b>

See accompanying notes to condensed consolidated financial statements.

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## EAST WEST BANCORP, INC. AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

*(In thousands, except per share data)**(Unaudited)*

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
<b>INTEREST AND DIVIDEND INCOME</b>				
Loans receivable, including fees	\$ 131,682	\$ 167,066	\$ 425,113	\$ 484,073
Investment securities available-for-sale	23,143	26,235	75,923	72,505
Securities purchased under resale agreements	1,277	4,013	5,094	11,742
Investment in Federal Home Loan Bank stock	1,390	828	4,153	2,457
Short-term investments	1,957	347	3,546	564
Investment in Federal Reserve Bank stock	413	279	1,122	818
Total interest and dividend income	159,862	198,768	514,951	572,159
<b>INTEREST EXPENSE</b>				
Customer deposit accounts	40,757	62,058	136,546	182,144
Federal Home Loan Bank advances	17,140	16,175	54,363	43,555
Securities sold under repurchase agreements	12,063	10,263	33,881	27,675
Long-term debt	2,957	4,101	9,675	11,235
Federal funds purchased	430	2,317	2,176	6,164
Total interest expense	73,347	94,914	236,641	270,773
<b>NET INTEREST INCOME BEFORE PROVISION FOR LOAN LOSSES</b>				
	86,515	103,854	278,310	301,386
<b>PROVISION FOR LOAN LOSSES</b>	43,000	3,000	183,000	3,000
<b>NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES</b>	43,515	100,854	95,310	298,386
<b>NONINTEREST (LOSS) INCOME</b>				
Impairment writedown on investment securities	(53,567)	(405)	(63,512)	(405)
Branch fees	4,285	3,836	12,725	10,667
Net gain on sale of investment securities available-for-sale		2,772	7,767	5,218
Letters of credit fees and commissions	2,319	2,702	7,472	7,688
Ancillary loan fees	1,783	1,397	3,908	4,164
Income from life insurance policies	1,029	1,132	3,081	3,164
Net gain on sale of loans	144	272	2,272	1,296
Net gain on disposal of fixed assets	44	1,261	221	1,573
Other operating income	413	621	1,867	2,176
Total noninterest (loss) income	(43,550)	13,588	(24,199)	35,541
<b>NONINTEREST EXPENSE</b>				
Compensation and employee benefits				